

VIRGINIA CENTRAL RAILWAY

Executive Office • 1000 Penn Mutual Tower • 510 Walnut Street • Philadelphia, Pa. 19106 • (215) 625-9111

RECORDATION NO. 11044-1425

November 9, 1979

NOV 13 1979 - 11 45 AM

INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission
12th and Constitution Avenue, N.W.
Washington, D.C. 20423

Attention: Mildred Lee, Room 2303

Gentlemen:

RECORDATION NO. 11044
Filed 1425
No. 3-217A0009
NOV 13 1979 - 11 45 AM
Date NOV 13 1979
FEE \$60.00
ICC Washington, D. C.

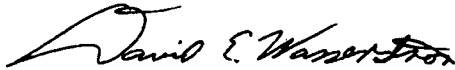
In accordance with your instructions, I am enclosing two sets of the Lease and Addendum between the City of Fredericksburg and the Virginia Central Railway, together with the railroad's check in the amount of \$60.00 in payment of the filing fee.

The other information which you requested is as follows:

1. The Lessor is The City Council of the City of Fredericksburg, Virginia, City Hall, Fredericksburg, Virginia.
2. The Lessee is the Virginia Central Railway, 510 Essex Street, Fredericksburg, Virginia. The address of the executive office of the railroad is as set forth on this letter, and that is also my address.

If there is any additional information which you require, please contact me.

Very truly yours,


DAVID E. WASSERSTROM,
President

DEW:esb

Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

11/15/79

OFFICE OF THE SECRETARY

David E. Wasserstrom, President
Virginia Central RYW.

1000 Penn Mutual Tower
510 Walnut Street
Phila. Pa. 19106

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/13/79 at 11:45am, and assigned recordation number(s). 11044 & 11044-A

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

LEASE

11044
RECORDATION NO. Filed 1425

NOV 13 1979 -11 45 AM

INTERSTATE COMMERCE COMMISSION

BY AND BETWEEN

THE CITY COUNCIL OF THE CITY OF FREDERICKSBURG, VIRGINIA

AND

THE VIRGINIA CENTRAL RAILWAY

AND

DAVID E. WASSERSTROM

(Solely for the purposes of Article XXXVIII)

May 8, 1979

RECEIVED
FEB 12 1980
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE

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THIS LEASE made May the 8th,
1979, by and between the City of Fredericksburg, Virginia,
a Virginia municipal corporation (hereinafter referred to
as "the City" or "Lessor") and the Virginia Central Railway,
a corporation organized and existing under the laws of the
Commonwealth of Virginia (hereinafter referred to as "the
VCR" or "Lessee").

WITNESSETH, in consideration of the sum of Ten Dollars
(\$10.00) cash in hand paid, the receipt of which is acknow-
ledged by the parties hereto, and for other good and valu-
able consideration, and the mutual promises, covenants,
and warranties contained herein, the parties hereto hereby
agree as follows:

I. DEMISED PREMISES, RENT. The Lessor hereby demises
and lets to the Lessee all of that certain premises consis-
ting of ~~the real estate listed in Exhibit "A"~~ attached hereto
presently owned by the City of Fredericksburg, Virginia,
which was formerly owned and transferred to the City by
the VCR, for a term of twenty (20) years commencing July 1,
1979. Rent shall be paid in monthly payments of \$150.00 (One Hundred and
Fifty Dollars) per month on the first day of each month during the
first year of such term, which the Lessee hereby covenants

WCR *Jmw*

to pay without demand to the office of the City Manager of the said Fredericksburg, Virginia, or at such other place as the Lessor may require in writing, rent to begin from the first day of July, 1979, and the first payment thereof to be made upon the execution of this Lease. See addition to Article I as attached to the back of this lease.

II. USE OF PREMISES. The Lessee agrees that the demised premises shall be used and occupied only as and for the operation of a railroad and for all other uses incidental or related thereto and for no other purposes without the prior written consent of the Lessor. If the premises or any part thereof are not being used in the usual and legitimate manner in the conduct of Lessee's business as aforesaid, the Lessor may give written notice requiring the Lessee to terminate such improper use within a reasonable time thereafter. A failure to comply with such request shall constitute a breach of this Lease, which, subject to the provisions of Article XXXI of this Lease, will entitle the Lessor to immediate possession of the premises hereby leased (in addition to all other remedies given to the Lessor in case of a breach of any of the conditions or covenants of this Lease by Lessee.)

III. INSURANCE. The parties hereto understand that operating a railroad can be a hazardous venture, and the Lessee specifically agrees that it will obtain liability insurance at its own expense in full compliance with the

Interstate Commerce Commission regulations and guidelines and will include the Lessor as a covered party on said insurance. Lessee agrees that it will obtain and maintain fire/hazard insurance and workmen's compensation insurance covering all employees and that it will use its best efforts not to do or suffer to be done, any act, matter, or thing objectionable to any insurance company whereby the insurance company or any other insurance now in force or hereafter to be placed on the demised premises, or any part thereof, shall become void or suspended, or whereby the same shall be rated as a more hazardous risk than at the date of the execution of this Lease, or employ any person or persons objectionable to the insurance companies. Copies of all insurance policies shall be delivered promptly to the Lessor's City Manager along with proof of insurance and paid receipt indicating that such is in full force and effect. In case of breach of this covenant (in addition to all other remedies given to the Lessor in case of the breach of any of the conditions or covenants of this Lease by the Lessee), the Lessee agrees to pay to the Lessor as additional rent, upon demand, any and all increase or increases of premiums on insurance carried by the Lessor.

IV. REMEDIES. The Lessee agrees that if the rent or any charges herein included as rent shall remain unpaid on any day on which the same ought to be paid, then the

Lessor, or any person acting under the Lessor, may enter the premises, and without any demand, proceed by distress and sale of the chattels there found to levy the rent and all other charges herein payable as rent, and all reasonable costs and officers' commissions, including watchman's wages, and attorney's fees shall be paid by the Lessee, and that in such case, all reasonable costs, officers' commissions and other charges shall immediately attach and become part of the claim of the Lessor for rent, and any tender of rent without such costs, made after the issue of a warrant of distress, shall not be sufficient to satisfy the claim of the Lessor. The Lessee hereby expressly waives the benefit of all laws now made or that may hereafter be made regarding any limitation in which distress is to be made after removal of chattels.

V. MAINTENANCE OF LOCAL OFFICE. Lessee hereby agrees to open and maintain an office for its operations within the boundaries of the City of Fredericksburg, Virginia.

VI. CONSENT TO JURISDICTION OF THE COURTS OF THE CITY OF FREDERICKSBURG, VIRGINIA. Lessee hereby irrevocably consents and agrees to the jurisdiction of the General District Court of the City of Fredericksburg, Virginia and/or the Circuit Court of the City of Fredericksburg, Virginia, as appropriate, for the resolution of all disputes, interpretations, injunctions, restraining orders, enforcement,

or other matters regarding this agreement and initiated by Lessor.

VII. WAIVERS. The Lessee authorizes the sale of any chattels distrained for rent at any time after five days from such distraint provided an inventory or appraisement is made thereof. The Lessee hereby waives the benefit of any and all exemption laws now made or which may hereafter be made, releasing chattels on the premises or elsewhere, or any property in any way belonging to the Lessee, from levy and sale upon distress for rent or other charges herein reserved as rent, or upon an execution on any judgment obtained in an action brought for nonpayment of rent, or in any and all suits, actions, or proceedings, amicably or otherwise, for the collections of rent or other charges herein reserved as rent due and in arrears for any expenses incurred in removing property from the premises, and for damage for the nonfulfillment of any of the covenants contained herein. The Lessee also waives the right of inquisition on any real estate that may be levied upon to collect any amount due under the terms and conditions of this Lease, and does hereby voluntarily condemn the same and authorizes the Lessor to obtain a writ of execution or other process on such Lessee's voluntary condemnation and the Lessee further agrees that the real estate may be sold on a writ of execution or other process.

VIII. EJECTMENT. If the Lessee shall fail or omit to pay the rent or other charges herein reserved as rent, on the days and times and at the place that the same are made payable, or shall, in any other respect violate any of the terms, conditions, or covenants herein contained, then this Lease and the term hereby created, shall at the option of the Lessor terminate and become absolutely void without any right on the part of the Lessee to save the forfeiture by payment of rent due, or by other performance of the terms, conditions, or covenants thus violated. No such termination of this Lease nor taking or recovering possession of the premises shall deprive the Lessor of any remedies or action against the Lessee for rent or for damages for the breach of any covenant herein contained, nor shall the bringing of any such action for rent, or of breach of covenant, nor the resort to any other remedy herein provided for the recovery of rent damages for such breach be construed as a waiver of the right to declare a forfeiture of this Lease and to obtain possession of the demised premises.

IX. REMOVAL OF CHATTELS. The Lessee covenants that if the Lessee shall at any time during the continuance of this Lease remove or attempt to remove the Lessee's chattels or property out of or from the premises, except in the ordinary course of Lessee's business, without first having

paid and satisfied the Lessor in full for all rent which may become due during the entire term of this Lease, then and in such case such removal or attempt to remove shall be considered as fraudulent, and the whole rent of this Lease or any part thereof at the option of the Lessor, shall be taken to be thereupon due and payable and in arrear, and the Lessor may proceed by legal process to distrain, or collect or sue for the whole or such part of the rent in the same manner as if by the conditions of this Lease the whole or such part of the rent were due and payable in advance, and were in arrear. The word "Chattel" shall include rails and ties for all purposes.

X. ACCELERATION OF RENT. If the Lessee is adjudicated insolvent or bankrupt by a court of competent jurisdiction, or makes an assignment for the benefit of creditors, or is levied upon or sold out by Sheriff's or Marshall's sale, or if a receiver is appointed and not dismissed within ninety (90) days from the date of filing, then the rent for the balance of the term or any part thereof at the option of the Lessor, shall become due and payable as if by the terms of the Lease it were payable in advance. In case the rent or any other sum payable hereunder is at any time unpaid when due, the Lessee hereby agrees that thereupon the whole rent for the balance of the term, or any part thereof at the option of the Lessor, shall immediately become due and payable as if by the terms of the Lease it were payable

in advance, and the Lessor may immediately proceed to distrain, collect, or bring an action for the whole rent or any part thereof, as if it were in arrear.

XI. ASSIGNMENT AND SUBLETTING. The Lessee hereby agrees that it will not transfer, mortgage or pledge this Lease, or sublease the subject premises or any portion thereof, without the prior written consent of the Lessor. It is agreed that any levy or sale or execution or other legal process against the Lessee remaining undismissed for a period of at least ninety (90) days from the date of filing thereof, or any assignment or sale in bankruptcy or assignment of a receiver or insolvency of the Lessee, may, at the option of the Lessor, be deemed to be taken to be an assignment within the meaning of this Article.

XII. VACATING OF PREMISES. If the Lessee shall remove from the premises or cease to use and occupy the same as herein provided, or should such premises be vacated or deserted during the term of this Lease, or any renewal or extension thereof, or if the Lessor is entitled to distrain, or if the Lessee fails to pay rent or any other sum which becomes due hereunder on the dates on which they are required to be paid hereunder, the Lessor may, at its option without notice or demand, enter the same with legal process for

the purpose of distraining or levying and for other purposes; and also, at its option, relet such premises as agent for the Lessee for any unexpired portion of the term and receive rent therefor, holding the Lessee liable for any deficiency.

XIII. ALTERATIONS AND IMPROVEMENTS. No contract entered into or that may be subsequently entered into by the Lessor, relative to any alterations, additions, or improvements, nor the failure of the Lessor to make such alterations, additions, or improvements as required by any such contract, nor the making by the Lessor or its agents or contractors of such alterations, additions, or improvements, shall in any way affect the payment of the rent at the time specified in this Lease. The Lessor may discontinue all facilities furnished and services rendered by the Lessor or any of them, not expressly covenanted for herein, it being understood that they constitute no part of the consideration for this Lease.

XIV. RISK OF LOSS. The Lessor shall not be held responsible for, and is hereby relieved from all liability by reason of any injury or damage to any person, persons, or property on the demised premises, or belonging to the Lessee, or any other person, caused by any fire or any breakage or leakage or collapse or derailment in any part or portion of the demised premises, unless such breakage, leakage, injury or damage be caused by or result from the

negligence or intentional acts of the Lessor or its agents. The Lessee, in consideration of the rent herein specified, hereby accepts and assumes such responsibility and liability.

A. The Lessor shall not be held responsible for, and is hereby relieved from all liability by reason of any damage to any person, persons or property on the demised premises, whether belonging to the Lessee or to any other person, arising from Lessee's operation of its railroad unless such damage is caused by or results from the negligence or intentional acts of the Lessor or its agents. The Lessee, in consideration of the rent herein specified, hereby accepts and assumes such responsibility and liability. Lessor further agrees to release Lessee from any and all claims against the Lessee arising prior to the signing of this agreement.

B. The Lessee hereby releases the Lessor from all liability, and assumes all liability for damages which may arise from any kind of injury to person, persons, or property on account of the use, misuse, or abuse of all of the railbeds, rights of way, and real estate specifically to include the trestle over Hazel Run and on any other structures of any kind whatsoever that may exist or hereafter be erected or constructed on the premises or from any kind of injury that may arise from any other cause on the premises, unless such damage, injury, use, misuse, or abuse be caused by

or result from the negligence or intentional acts of the Lessor or its agents.

C. In the event that Lessor is joined in any type of lawsuit or cause of action as a result of claims against the Lessee for any reason other than claims resulting from the negligence or intentional acts of the Lessor or its agents, Lessee hereby agrees to fully indemnify the Lessor for the cost incurred by the Lessor in defending said action in regard to reasonable court costs, attorney's fees, deposition costs, and any and all other types of similarly related fees or costs. Immediately upon its receipt of any documents pertaining to the aforesaid claims, Lessee promptly agrees to deliver to the Lessor's City Manager copies of any and all pleadings, claims, or similar documents or correspondence threatening or in any way dealing with potential or existing litigation or claims against the Lessor.

XV. OPERATIONS AND CARE OF PREMISES. The Lessor has let the demised premises in their present order, arrangement, and condition, and the Lessee has carefully and thoroughly examined all of the demised premises, specifically including the trestle over Hazel Run, and the Lessee covenants, at Lessee's own expense, to keep the demised premises in safe operating condition, especially the trestle over Hazel Run as long as its use is operationally necessary.

The Lessee further covenants that Lessee shall and will at Lessee's own expense, keep every part and portion of the demised premises, and all glass windows and plate glass in good order and repair and further, shall and will at the Lessor's request and Lessee's own expense, comply with any requirements under notice from the Lessor's insurance carriers and any of the constituted public authorities, subject to the right to appeal, including but not limited to the Fire Department, Police Department, City Sanitation, Board of Health, Board of Fire Underwriters, and the City Engineer's office. The failure of the Lessee to fully comply with all laws and regulations governing its operation, specifically to include but not be limited to, those enforced by the Virginia State Corporation Commission and the Interstate Commerce Commission, shall be deemed an immediate breach of this agreement.

XVI. RIGHT OF ENTRY. The Lessee agrees to permit the Lessor, the authorized representatives of the Lessor, the holder of any mortgage or any prospective mortgagor, to enter the demised premises at all reasonable times for the purpose of (a) inspecting the same, and (b) making any necessary repairs, alterations, additions, or improvements including, but not limited to, repairs that may be necessary by reason of the Lessee's failure to make the same. Nothing herein shall imply any duty upon the part of the Lessor

to do any such work and performance of such work by the Lessor shall not constitute a waiver of the Lessee's failure to have performed any work which the Lessee is required to perform under the terms of this Lease.

XVII. FAILURE OF LESSEE TO PERFORM. A. If the Lessee shall at any time fail to make any payment or perform any act on its part to be made or performed under the terms of this Lease after receiving notice from Lessor as provided in Article XXXI hereof, then the Lessor may, but shall not be obligated so to do, and without further notice to or demand upon the Lessee and without waiving or releasing the Lessee from any obligation in this Lease contained, make any such payment or perform any such act on the part of the Lessee to be made or performed as in this Lease provided. All sums so paid by the Lessor and all necessary incidental costs and expenses in connection with the performance of any such act by the Lessor, together with interest thereon at the rate of 10% per annum from the date of the making of such expenditure shall immediately become due and be payable by the Lessee on demand. All sums which may become payable to the Lessor by Lessee, as in this Article XVII provided, shall be deemed additional rent hereunder, and the Lessor shall have (in addition to any other right or remedy of the Lessor) the same rights and remedies

in the event of the nonpayment of any such sums by the Lessee as in the case of default by the Lessee in the payment of the minimum rent.

B. All of the remedies hereinbefore given to the Lessor and all rights and remedies given to it by law and equity shall be cumulative and concurrent. No termination of this Lease or the taking or recovering of the premises shall deprive the Lessor of any of its remedies or actions against the Lessee for rent due at the time or which, under the terms hereof, would in the future become due as if there had been no determination, or for any and all sums due at the time or which, under the terms hereof, would in the future become due as if there had been no termination, nor shall the bringing of any action for rent or breach of covenant, or the resort to any other remedy herein provided for the recovery of rent be construed as a waiver of the right to obtain possession of the premises.

XVIII. DAMAGE BY FIRE. In the event that the demised premises are totally destroyed or so damaged by fire or other casualty not occurring through fault or negligence of the Lessee, or those employed by or acting for the Lessee, that the same cannot be repaired and restored, within a period of 90 days, this Lease, at the option of Lessee, shall absolutely cease and terminate, and the rent shall abate for the balance of the term.

If the damage caused as above be only partial and such that the premises can be restored to the present condition within 90 days, the Lessee agrees to restore the same as speedily as circumstances reasonably permit, including the time necessary and required by the insurance companies to - inspect the premises and to make an adjustment with the Lessee. All rent shall be apportioned and suspended during the time that the repairs are being made, taking into account the proportionate area of the demised premises rendered untenable for the purposes provided for in this Lease. The Lessor reserves the right to enter upon the premises for the purpose of inspecting the restoration work and to enter upon the demised premises whenever necessary to repair damage caused by fire or other casualty to the trestle which is a part of the demised premises, even though the effect of such entry be to render the demised premises or a part thereof untenable. In either event, the rent shall be apportioned and suspended during the time the Lessor is in possession, taking into account the proportionate area of the demised premises rendered untenable for the purposes provided for in this Lease and the duration of the Lessor's possession.

XIX. SURRENDER OF PREMISES. The Lessee will, during the term of this Lease and all continuations thereof, keep and at the expiration thereof, peaceably surrender possession of the premises in as good order and condition as the same now are, reasonable wear and tear excepted, and free from refuse matter and other debris; subject, however, to the provisions of Article XVIII of this Lease. The Lessee shall not make any substantial alterations, additions, or improvements without the Lessor's prior written consent and all permanent alterations, additions, or improvements, and all buildings or permanent fixtures attached to the building made by the Lessee upon the premises after such consent shall have been given shall, at the Lessor's option, be the property of the Lessor and shall remain upon, and be surrendered with, the premises as a part thereof, upon termination of this Lease without molestation or injury, or shall be removable at the Lessor's option at the expense of the Lessee.

XX. ZONING, PERMITS. Lessor hereby covenants that the demised premises are zoned for industrial use such as will permit the Lessee to carry out normal railroad operations and all uses incidental and/or related thereto. Anything herein elsewhere contained to the contrary, this Lease and all the terms, covenants and conditions hereof are in all respects subject and subordinate to all zoning restrictions affecting the demised premises and the Lessee agrees

XXI. TERMINATION, AUTOMATIC EXTENSIONS. It is hereby mutually agreed that either party hereto may terminate this Lease at the end of the term by giving to the other party written notice thereof at least six months prior thereto.

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term as may be stated in such notice. In the event that the Lessee shall give notice, as stipulated in this Lease, of intention to vacate the demised premises at the end of the present term, or any renewal or extension thereof, and shall fail or refuse so to vacate the same on the date designated by such notice, then it is expressly agreed that the Lessor shall have the option either (a) to disregard the notice so given as having no effect, in which case all the terms and conditions of this Lease shall continue thereafter with full force precisely as if such notice had not been given, or (b) the Lessor may, at any time within 30 days after the present term or any renewal or extension thereof, as aforesaid, give the Lessee ten days' written notice of its intention to terminate the Lease, whereupon the Lessee expressly agrees to vacate the premises at the expiration of the period of ten days specified in such notice. All powers granted to the Lessor by this lease may be exercised by the Lessor and all obligations imposed upon the Lessee by this Lease shall be performed by the Lessee as well during any extension of the original term of this Lease as during the original term itself.

XXII. CONDITION OF PREMISES. It is understood that the premises is and has been leased without any reliance by Lessee upon any representations made by the Lessor in

regard to the condition of the current premises, specifically to include but not limited to the trestle over Hazel Run, except as expressly stated in this Lease, and the Lessor shall not be responsible or liable for any agreement, condition, or stipulation not set forth herein, including, without limitation thereto, anything relating to or affecting the physical condition of such premises.

XXIII. FILING OF AGREEMENT. Lessee agrees immediately, upon the execution of this agreement, to place a certified copy of this agreement on record with the Interstate Commerce Commission, the Virginia State Corporation Commission, and the Circuit Court of the City of Fredericksburg, Virginia, and to transmit information to the Lessor's City Manager in regard to the date, time, and citation of such information as recorded, along with a copy of a paid recording receipt, at its cost.

XXIV. CONTINUATION OF RAIL SERVICE. Lessee hereby agrees, covenants, guarantees and warrants that it will continue to provide responsible rail service to its customers located in the City's industrial park. In the event of an actual or anticipated interruption of service for any reason, the Lessee hereby agrees to immediately notify the Lessor and all of its customers by telephone and in

writing as to the interruption, its cause, and the estimated time of the resumption of service. In the further event that rail service is interrupted as a result of negligence, actions or failures to act of the Lessee, subject to the provisions of Article XVIII of this Lease, Lessee hereby agrees to use its best efforts to provide for incoming and outgoing shipments to its customers by some commercially reasonable and practicable alternate means or method. In the event of an interruption of rail service which is not the fault of the Lessee, its agents or its subcontractors, the Lessee pledges itself to take whatever actions may be necessary to resume service as soon as reasonably practicable subject, however, to the provisions of Article XVIII of this Lease.

XXV. REPORTS TO BE FILED WITH LESSOR. At the same time such documents are filed, the Lessor's City Manager shall be provided with copies of all reports filed with the Virginia State Corporation Commission and the Interstate Commerce Commission.

XXVI. COOPERATIVE DEVELOPMENT OF INDUSTRIAL PARK. Both the Lessor and the Lessee acknowledge a commonality of interest in further development of the City's industrial park and both pledge themselves to cooperate fully with

the other and the Rappahannock Area Development Commission in providing information and cooperation toward this end.

XXVII. RELOCATION AND INSTALLATION OF NEW TRACK, RAILBED AND RIGHT OF WAY AS A RESULT OF ROUTE THREE INTER-CONNECTOR.

As an integral inducement to Lessee's entering into this Lease, Lessor states that it is committed, and agrees to use its best efforts to follow through with its plan to cooperate with Federal and state authorities in the construction of an inter-connecting highway for Route 3 across the demised premises. It further pledges itself to act in all ways possible to accelerate those portions of said plan which contemplate the relocation and reinstallation of tracks, railbeds, and rights of way which at that time shall become the demised premises covered by this Lease. Continued coordination and efforts will be made with the Virginia State Department of Highways and the Virginia State Department of Transportation in this effort. Upon the completion of this relocation project, however, possession of those portions of the currently demised premises which in the opinion of Lessee will be unnecessary or unusable for the operations of the Lessee, shall revert to the Lessor.

XXVIII. CANCELLATION OF ALL FORMER AGREEMENTS. The Lessee and Lessor hereby jointly cancel and revoke all prior agreements entered into between themselves.

XXIX. LESSOR'S RELEASE OF ALL PRIOR CLAIMS AGAINST LESSEE. Lessor hereby releases Lessee from all claims it has against Lessee arising prior to the signing of this agreement, whether arising out of former agreements or otherwise.

XXX. LESSOR'S PLEDGE OF COOPERATION IN OBTAINING FEDERAL OR STATE GRANTS OR LOANS. The Lessor hereby pledges to provide reasonable cooperation to the Lessee in assisting it in obtaining any Federal or state grants or loans in regard to improving its operations so long as such requests are consistent with the letter and spirit of this agreement and the Virginia State Rail Plan as promulgated by the Virginia Department of Highways and Transportation.

XXXI. NOTICE AND RIGHT TO CURE. A. Notwithstanding anything herein elsewhere contained to the contrary, the Lessor agrees that Lessor will not exercise any right or remedy provided for in this Lease, or allowed by law, because of any default of Lessee, unless Lessor shall first have given written notice thereof to Lessee and Lessee, within a period of ten (10) days thereafter shall have failed to pay the sum or sums due if the default consists of the failure to pay money, or if said default shall consist of anything other than the failure to pay the sum or sums due hereunder and Lessee shall have failed within a period of

thirty (30) days after notice from Lessor to begin and actively and diligently in good faith to proceed with the correction of the default until it shall be fully corrected.

B. All notices required by or given under this agreement by any party shall be in writing and sent by certified mail, return receipt requested, addressed as follows:

If to Lessor:

City Manager

City Hall

Fredericksburg, VA 22401

If to Lessee:

1000 Penn Mutual Tower
510 Walnut Street
Philadelphia, PA 19106

XXXII. CONSENT OF LESSOR. Wherever and whenever the consent of the Lessor is required under the provisions of this Lease, said consent shall not be unreasonably withheld or delayed.

XXXIII. CONDEMNATION. In the event the demised premises shall be condemned and taken by right of eminent domain, or any part thereof shall be so condemned and taken so as to render the remainder of the demised premises untenable for the purposes of Lessee provided for in this Lease, Lessee may, at its option, cancel and terminate this Lease upon five (5) days' written notice, in which case all unearned rent shall be refunded to Lessee; provided, however, if this Lease is not so cancelled by Lessee, then Lessor shall provide Lessee with suitable substitute real estate and any necessary rights of way readily accessible to the Richmond, Fredericksburg and Potomac Railroad line to enable

Lessee to relocate its railroad tracks, railbeds and other improvements, which substitute real estate and rights of way shall then become the demised premises covered by this Lease. Lessee shall be entitled to such portion of the award for any taking as is equal to the value of any improvements installed or constructed on the demised premises by Lessee.

XXXIV. OPTION. Lessee shall have the option of renewing this lease for an additional term of twenty years at a continuing monthly rental which shall be determined as a continuation of the base rent as compounded by the C.P.I. as contemplated in Article I in this amendment of this lease. To exercise this option, Lessee must serve Lessor at least six months prior to the expiration of the initial term of this lease in writing.

XXXV. MISCELLANEOUS. A. Any headings preceding the -- text of the several Articles and sections hereof are inserted solely for convenience of reference and shall not constitute a part of this Lease, nor shall they affect its meaning, construction or effect.

B. This Lease represents the entire agreement between the parties hereto and there are no collateral oral agreements or understandings. All additions, deletions or modifications to this Lease shall be void and of no effect unless in writing signed by the parties.

C. It is expressly understood and agreed by and between the parties hereto that this Lease and the riders, if any,

attached hereto and forming a part hereof set forth all the promises, agreements, conditions and understandings between the Lessor and Lessee relative to the demised premises, and that there are no promises, agreements, conditions, or understandings, either oral or written between them other than are herein set forth. It is further understood and agreed that, except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon the Lessor or Lessee unless reduced to writing and signed by them.

D. This agreement shall be interpreted and enforced under the laws then in effect in the Commonwealth of Virginia.

E. Signed copies of the original of this agreement are hereby agreed by the parties hereto to have the same force and effect of the original and shall be treated as additional originals rather than copies.

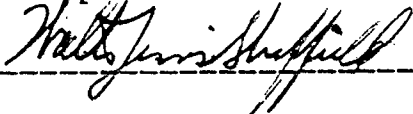
XXXVI. FURTHER ASSURANCES. The title and deed to any real estate which was to have been transferred to Lessor by Lessee which has not in fact been executed and transferred as indicated in Exhibit "B" attached hereto shall be so transferred, as soon as possible, at the expense of the Lessor. Lessor hereby reaffirms that the title to all items of tangible personal property which had heretofore been

listed as belonging to and being the property of the VCR as listed in Exhibit "C" attached hereto are in fact the property of the VCR.

XXXVII. FURTHER AGREEMENT. Lessor hereby grants to the Lessee the exclusive right to provide rail service to all portions of the City's Industrial Park. Lessor agrees to provide Lessee with necessary rights of way to provide reasonable access to all portions of the Lessor's Industrial Park as they become occupied. In return, Lessee recognizes the interest the Lessor has in the continued and reliable operation of its railroad and hereby agrees to notify the Lessor in writing at least twenty days prior to any contemplated change in ownership of a majority of the outstanding voting stock and obtain the written approval of the Lessor prior to such contemplated transfer, which written permission of the Lessor shall not unreasonably be withheld.

IN WITNESS WHEREOF, the parties have hereunto set their hand and seals the day and year aforesaid. See addition to Article I, Article XXXVIII, and XXXIX in the following pages which are incorporated herein.

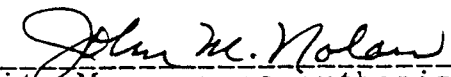
Sealed and delivered
in the presence of:



(City Seal)

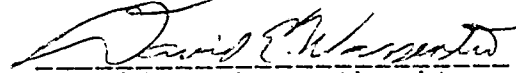
THE COUNCIL OF THE CITY OF
FREDERICKSBURG, VIRGINIA -
LESSOR

BY:

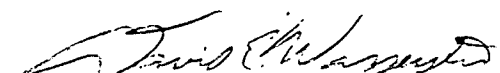
 (SEAL)
City Manager as authorized
by Resolution enacted by
the Council of the City of
Fredericksburg, Virginia
on

VIRGINIA CENTRAL RAILWAY - LESSEE

BY:

 (SEAL)
President by authority of a
joint resolution passed by
all of the shareholders and
directors.

(Corporate Seal)

 (SEAL)
David E. Wasserstrom, Sole
Shareholder joining in solely
for the purposes expressed in
Article XXXVIII

ADDITION TO ARTICLE I

DEMISED PREMISES, RENT

The following words are added to Article I of the foregoing lease:

Commencing with the beginning of the 2nd lease year, the basic monthly rental shall be adjusted for each lease year of the term hereof to reflect increases in the cost of living by adjusting for any increase in the Index now known as "U. S. Department of Labor, Bureau of Labor Statistics, The Consumer Price Index, United States and Selected Areas, for Urban Wage Earners and Clerical Workers, All Items, U.S. City Average, 1967 = 100," (hereinafter referred to as the "C. P. I."). Such adjustments shall be accomplished by multiplying the amount of rent due on the last day of the previous term year (which amount shall include all increases or decreases necessitated by C.P.I. adjustments which shall be cumulative) by a fraction, the numerator of which shall be the most recently published monthly C.P.I. preceding the first day of the lease year for which such annual adjustment is to be made, and the denominator of which fraction shall be the corresponding monthly C.P.I. published twelve months preceeding the first day of the Lease year for which such annual adjustment is to be made.

If such C.P.I. shall be discontinued, then another C.P.I. generally recognized as authoritative shall be substituted therefor by reconciling the base used by such new or substituted C.P.I. to the aforementioned 1967 C.P.I.; but if the parties are unable to agree upon a substitute C.P.I., then the matter shall be determined by arbitration in accordance with the rules of the American Arbitration Association then prevailing. In no event, however, shall the above fraction as compounded and added to the previous year's rent exceed ten percent (10%) in any one year, the following is an example of the computations contained above as if there is a constant CPI increase of 7% per year

XXXVIII. RIGHT OF FIRST REFUSAL. In the event that the sale of a majority of the outstanding shares of the Lessee's stock is imminent, the Lessee shall immediately notify the Lessor of that fact and of the proposed purchase price in writing. The Lessor shall then have the right to purchase all of the outstanding stock from the Lessee's shareholder for the purchase price per share equal to that being offered by the third-party purchaser, but in no event shall the purchase price to be paid by the Lessor be less than that paid by the present shareholder in satisfaction of the debts of the Lessee and its parent, Railvest, Inc., commissions and/or brokerage fees and the price for the stock itself at the time such stock was acquired by the present shareholder. The latter amount shall be determined by the certified statement of the present shareholder as confirmed by cancelled checks and other evidences of payment. Lessor must exercise its right of first refusal within thirty days of receiving written notice of such impending sale of stock. Lessee's shareholder joins in this agreement for the sole purpose of consenting to the provisions of this paragraph and without personally guaranteeing or indemnifying any of the Lessee's other obligations contained in this lease. Lessee's shareholder hereby acknowledges that he has received cash and other consideration of value to him in return for his consent to the terms of this paragraph.

XXXIX. DISPOSITION OF ROUTE THREE INTER-CONNECTOR FUNDS. In the event that any funds of whatever kind or whatever nature are directed to the Lessee as a result of the construction of the Route 3 inter-connector located in the City of Fredericksburg, Virginia, Lessee hereby agrees to take whatever actions are necessary to see that these funds are paid to the Lessor with the understanding and agreement of the Lessor that all of said funds shall be applied to the relocation of the Lessee's railroad operations in conformance with the master plan of the

Route three inter-connector project.

COMMONWEALTH OF VIRGINIA:

CITY OF FREDERICKSBURG, to-wit:

The foregoing Lease was acknowledged before me this 6th
day of June, 1979, by John N. Lar, City Manager
of the City of Fredericksburg, Virginia..

My commission expires:

Donna L. Bartholomew
Notary Public

My Commission Expires July 10, 1982

STATE OF Pennsylvania

COUNTY OF Philadelphia
CITY OF Philadelphia, to-wit:

The foregoing Lease was acknowledged before me this 16th
day of May, 1979, by the President of the Virginia Central
Railway Company.

My commission expires:

Esther S. Bergman
Notary Public

ESTHER S. BERGMAN
Notary Public, Phila., Phila. Co.
My Commission Expires Feb. 14, 1983

STATE OF Pennsylvania

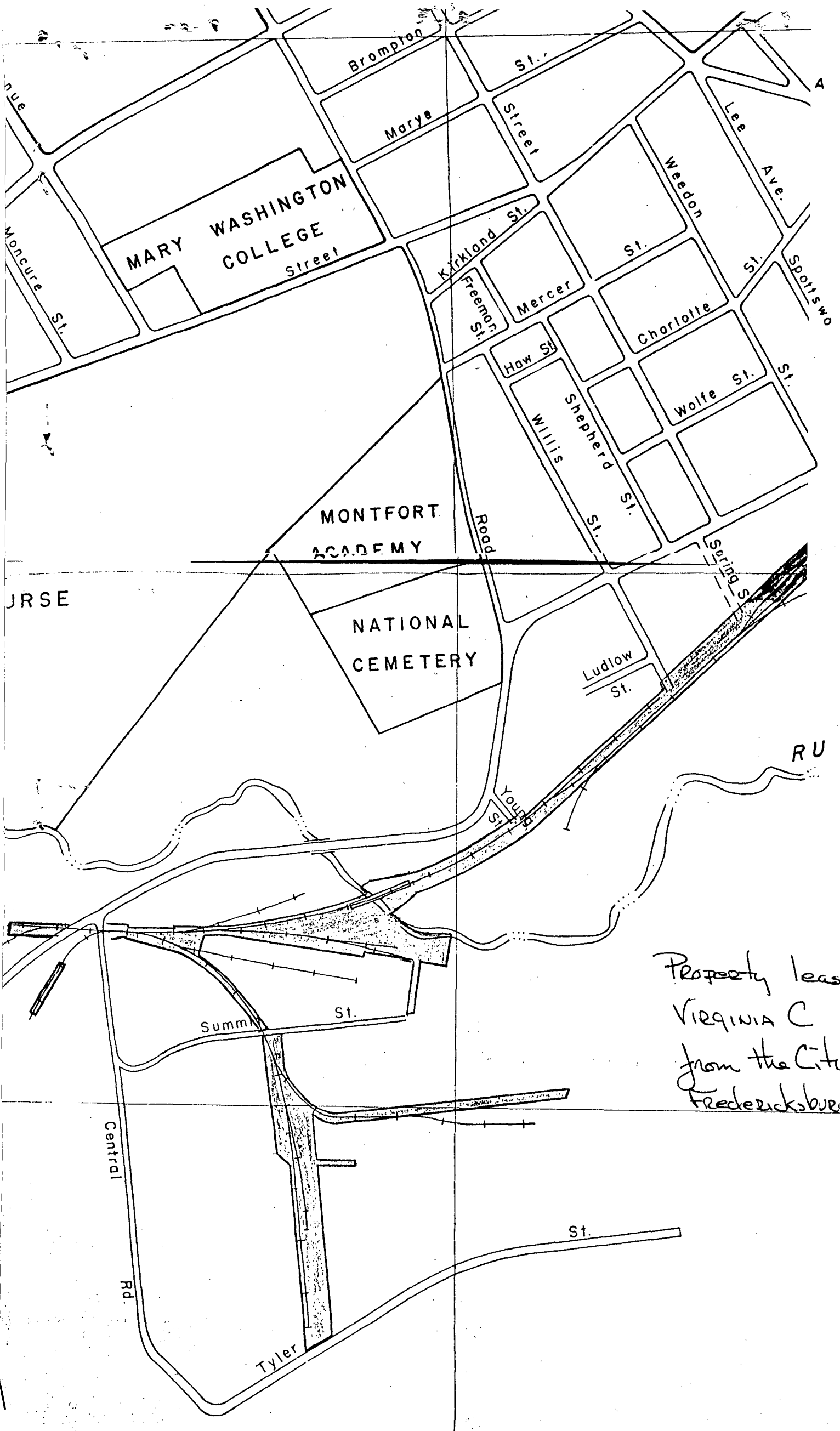
COUNTY OF Philadelphia
CITY OF Philadelphia, to-wit:

The foregoing Lease was acknowledged before me this 16th
day of May, 1979, by David E. Wasserstrom, Sole Shareholder
of the Virginia Central Railway Company.

My commission expires:

Esther S. Bergman
Notary Public

ESTHER S. BERGMAN
Notary Public, Phila., Phila. Co.
My Commission Expires Feb. 14, 1983



Property leased
Virginia C
from the City
Fredericksburg

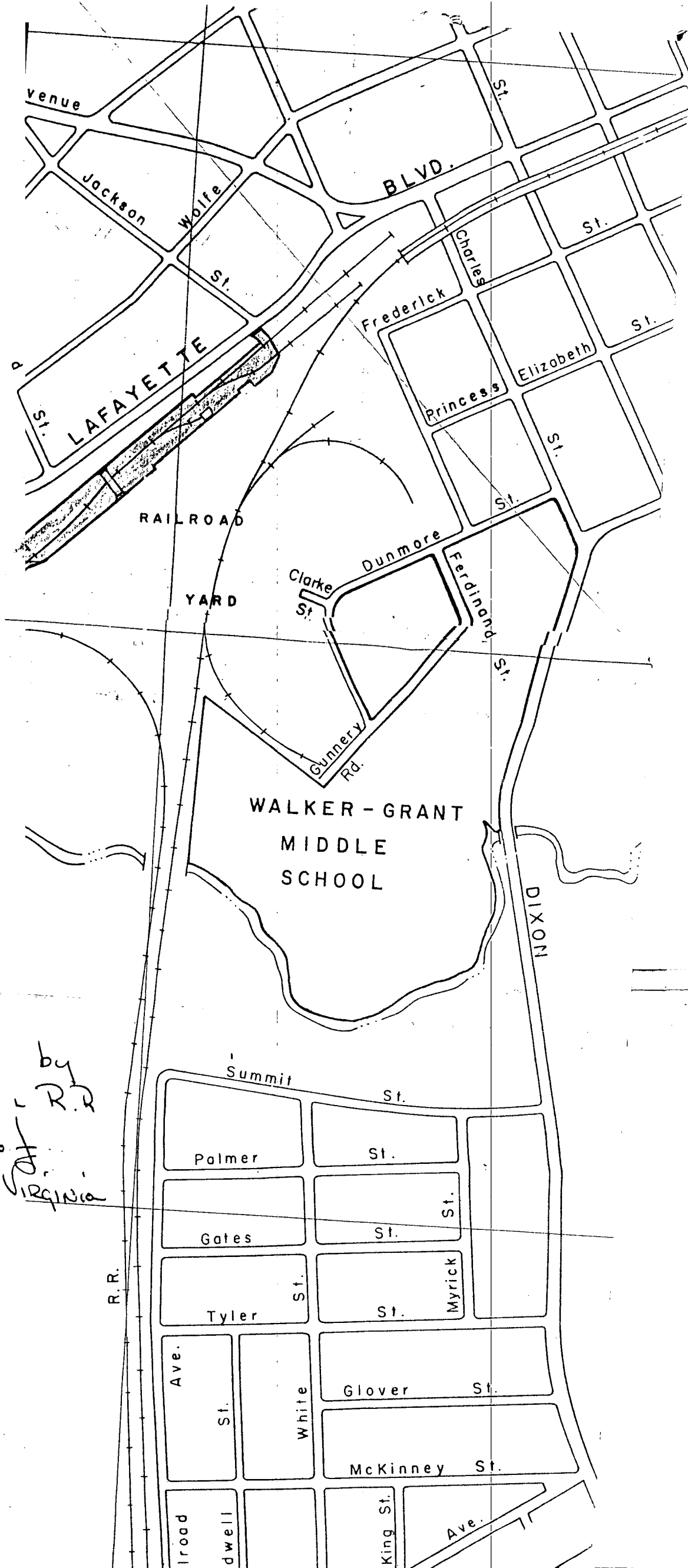


EXHIBIT "A"

(Description of Demised Premises)

LFW Jm W

EXHIBIT "B"

(Description of Property to be Deeded Back to
the City of Fredericksburg by the Virginia
Central Railway)

NONE

494 JMN

EXHIBIT "C"

(Description of Tangible Personal Property
Belonging to the Virginia Central Railway)

One (1) Coach Car No. 528

One (1) Caboose Car No. 911

[Handwritten signature] JMS